



**Remarks of  
Mexico's Minister of Finance and Public Credit**

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**for the inauguration of the  
Fifth Meeting of the Global Forum  
on Transparency and Exchange of Information**

(English translation, originally delivered in Spanish)

Mexico City

September 1, 2009

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**Distinguished Finance Ministers;**

**Distinguished Representatives of International Financial Institutions;**

**Development Banks and Multilateral Organizations;**

**Distinguished Revenue Commissioners;**

**Distinguished Secretary General of the OECD;**

**Distinguished Director of the Center for Tax Policy Administration;**

**Distinguished Delegates and Observers;**

**Ladies and Gentlemen:**

It is a great honor to welcome you to Mexico City, where we are celebrating the Fifth Meeting of the Global Forum on Transparency and Exchange of Information.

This Forum, which seeks to ensure the implementation of the highest standards of transparency and exchange of information for both civil and criminal taxation matters, has not met since November 2005 in Melbourne, Australia. In that meeting, participant countries identified a series of steps involving individual, bilateral and collective actions needed to achieve, within a reasonable timeline, a level playing field in tax issues. Today, 192 delegates from over 62 countries and jurisdictions are attending this Fifth Global Forum, and the issue that gathers us is to join efforts to combat tax evasion at the global level.

Why is the battle against tax evasion and tax avoidance important? Let us start by what may not be so evident: taxes, apart from being the principal source of revenue for nations, play a decisive role in building institutions, markets and democracy by enabling taxpayers to review and hold the state accountable for its decisions.

With taxes, citizens force government accountability to be more timely and transparent, and can exercise a bigger influence in public decision-making. And because tax revenues are relatively predictable, governments can plan ahead with

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greater certainty, and international markets acknowledge and reward that by fostering investment.

It is easy to infer that tax evasion impedes a fair distribution of the tax burden and increases the costs of collecting income. More importantly, evasion deprives governments of revenues needed for health care, education and infrastructure, forcing honest—usually captive—taxpayers to pay a higher bill.

Evasion also hampers the application of distributive fiscal policies by reducing available resources to fight poverty, to face exogenous shocks, or to protect the environment. Moreover, in developing countries evasion may have even worse effects, as it weakens the tax structure and may eventually encourage fiscal irresponsibility due to debt overhang or to excessive and unwanted overreliance on foreign aid.

In times of financial crisis and global economic distress, like those we are living in now, tax cooperation becomes essential. In this regard, member countries of the OECD, fiscal jurisdictions and financial centers around the world have been working together for more than 12 years to solve the problems posed by tax evasion due to excessive secrecy in financial systems. Together, we have developed standards of transparency and exchange of information in tax matters that balance the interests of financial privacy with the need of countries to strengthen the enforcement and efficiency of their own tax laws and regulations.

Specifically, these standards provide for full exchange of information in criminal and civil tax matters and availability of ownership and accounting information on request. Furthermore, they reflect what the Model Tax Conventions of the OECD and the United Nations establish on the matter, and the worldwide network of tax treaties based upon them underline, without any doubt, the universal character of these principles.

We need to transform crisis into opportunity. Therefore, I see this Forum as the opportunity to achieve the goal of universal and harmonious cooperation in the fight against tax evasion. In my opinion, we can reach three concrete outcomes in this Forum:

- First, a mechanism to monitor progress must be established to make sure all committed countries and jurisdictions comply with the transparency and exchange of information standards. Proposals on the table include the development of effective peer-review and rating mechanisms to assess implementation and compliance with agreed standards. FATF experience in the battle against money laundering suggests that peer pressure not only can be an effective way to push members to comply with commitments, but also eliminates the sensitivity associated with non-compliance “black lists”.

- Second, these agreements must become more inclusive. The Forum needs to expand to involve the largest possible number of countries and jurisdictions. Only then can we aim towards an authentic universal adoption of the principles and standards of transparency and exchange of information. All current 84 members (and particularly G20 and OECD ones) must actively participate in the Forum and lead by example, and
- Third, we must discuss: 1<sup>st</sup>, how fast should the standards be implemented, and 2<sup>nd</sup>, how to best extend the benefits of a more cooperative international tax environment to developing countries.

With this, the Forum will be able to provide valuable input to other bodies such as the G20, the FSB and FATF to continue their work of developing a toolbox on defensive measures vis-à-vis non-cooperative countries and jurisdictions, advancing voluntary compliance programs and ensuring coherence between FATF and tax transparency standards to protect the global financial system from implicit risks in illicit activities.

That is why the G20 Working Group regarding International Cooperation and Market Integrity correctly identified fiscal transparency and exchange of information as priority areas for a well-functioning international financial system.

The deepening of the credit crisis has shed light on the consequences of a lack of transparency in international finance, poor regulation and weak cooperation. To restore confidence in financial markets in the context of the current global crisis, tax and financial authorities should be compelled to play an active role in developing and strengthening regulation and enforcement to reduce and hopefully eliminate offshore non-compliance.

Perhaps we should start considering to broaden the strict focus on tax haven secrecy of the Global Forum to other important areas of the financial system where evasion issues impact tax behavior, such as corporate profit sharing, for example. This should not only address net tax-collection losses, but also illicit capital flows related to corruption and bribery, as well as opaque practices in the extractive industries in developing countries and the laundering of criminal proceeds.

If we handle these issues separately, as we have done so far, instead of addressing them with an integral vision, we will lose the opportunity that this crisis represents by urging legislators and policy-makers to focus on the common aspects of identifying and fixing any damage caused by international financial flows.

A strong and efficient financial system is a prerequisite for securing the best possible economic performance. Only with common strategies and agreements in transparency and information exchange can we reduce global problems such as

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fiscal evasion and money laundering, practices that only serve illegal interests, that reduce safety, induce violence, halt economic development and result in a drain of financial resources from formal markets that leave a large number of social and environmental projects without the funding they require.

I would like to take this opportunity to stress that Mexico and its financial authorities are fully committed to the transparency and exchange of information standards. Mexico has 13 Bilateral Treaties on Exchange of Information that are active, pending signature, or in negotiation. Moreover, we have 37 active Double Taxation Agreements that will incorporate the principles and standards of Article 26 of OECD Model Tax Convention.

As a final thought, I would like to paraphrase in this context what Jeffrey Owens once wrote with respect to the three options that governments have to address the challenges of globalization: 1<sup>st</sup>, they can pursue an “isolationist” approach on global tax issues, but this is a hard, odd and undeserved punishment to them and their people;

2<sup>nd</sup>, they can press for the creation of a unified and harmonized international tax system, a sort of a global tax code enforced by a global tax authority, which not only may not be plausible, but also not desirable as well; or

3<sup>rd</sup>, they can intensify global tax cooperation, which includes the establishment of standards of transparency and exchange of information.

I do not doubt that the third one is the best option. Mexico is committed to making it universal, especially today in the context of this international financial crisis which we still have a lot to learn from.

Again, thank you José Ángel Gurrúa for your leadership at the OECD. I am sure that this meeting will be very productive.

Thank you very much.

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